



State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Scott Walker, Governor
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Wisconsin.gov

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REPORT ON Section Ins 2.14 and 2.15, Wis. Adm. Code,
relating to disclosure requirements for life insurance and
annuity contracts

Clearinghouse Rule 14-075

Submitted Under s. 227.19 (3), Stats.

(The proposed rule-making order is attached.)

(a) A detailed statement of basis for the proposed rule and how the rule advances relevant statutory goals or purposes:

The purpose of the rule change is to update the buyer's guide that is furnished to Wisconsin consumers during the sale of annuities. Currently, the Wisconsin Buyer's Guide to Annuities is available online, and contains general product information and provides answers to basic questions about risks and investing that consumers can use to decide whether these products are right for them. Unfortunately, the Wisconsin buyer's guide is outdated as it does not provide any information about indexed annuity products which are now common in the marketplace. In 2013, the National Association of Insurance Commissioners (NAIC) revised and updated the NAIC buyer's guide to include information about fixed, indexed and variable annuities. The NAIC now offers three versions of the Buyer's Guide for Deferred Annuities: a general information guide, a fixed annuity guide, and a variable annuity guide. OCI seeks to amend s. Ins 2.15 to permit insurers and agents to use the most current version of the applicable NAIC Buyer's Guide for Deferred Annuities, rather than the Wisconsin Buyer's Guide to Annuities. As a result of this change, the outdated Wisconsin Buyer's Guide to Annuities will be discontinued. Wisconsin adopted the NAIC Life Insurance Buyer's Guide in 1998. Using the NAIC guides for both life insurance and annuities will provide uniformity and consistency for insurers, agents and consumers. In addition, the delivery of the applicable Buyer's Guide will now be required in sales of variable annuities.

The purpose of amending Ins 2.16(3)(a)2. is to change the reference from "Wisconsin Buyer's Guide to Annuities" to "Buyer's Guide" so that Ins 2.16(3)(a)2. conforms with the amendments to Ins 2.15. This is a minor technical change to ensure consistent cross references in the Wisconsin Administrative Code.

The purpose of repealing Ins 2.14(4)(g)1. is to bring the rule up to date with a change in the law that occurred in 1998. The entire subdivision should be deleted because the sentence stating "Further explanation of the intended use of these indexes is provided in the life insurance buyer's guide" is incorrect as no such explanation is contained in the NAIC Life Insurance Buyer's Guide concerning cost indexes. The explanation was previously included in OCI's Life Insurance Buyer's

Guide which was replaced with the NAIC Buyer's Guide by rule change in January, 1998. This is a minor technical change to the existing rule which does not encompass a change of existing policy with respect to the disclosure rules applicable to life insurance.

(b) Summary of the public comments and the agency's responses to those comments:

No public comments or testimony were received on the proposed rule.

(c) An explanation of any modifications made in proposed rule as a result of public comments or testimony received at a public hearing:

Not applicable.

(d) Persons who appeared or registered regarding the proposed rule:

Appearances for:

None

Appearances against:

None

Appearances for information:

None

Registrations for:

None

Registrations against:

None

Registrations neither for nor against:

Connie L. O'Connell on behalf of WCLI

Letters received:

None

(e) An explanation of any changes made to the plain language analysis of the rule under s. 227.14 (2), Stats., or to any fiscal estimate prepared under s. 227.14 (4), Stats.

No changes have been made.

(f) The response to the Legislative Council staff recommendations indicating acceptance of the recommendations and a specific reason for rejecting any recommendation:

- 1. Statutory Authority:** OCI has eliminated the reference to s. 628.34(12), Wis. Stat.
- 2. Form, Style and Placement in Administrative Code:**
 - a. OCI has complied with this recommendation.
 - b. The style, form and language conforms with recent changes to the NAIC Annuity Disclosure Model Regulation. These particular sentences have been vetted by the industry and changing the sentences to make the paragraph grammatically correct may inadvertently raise concerns that Wisconsin is not following the model regulation. Also, the sentences describe items in the list and, therefore, comport with the paragraph's organization in which each item in the list is represented by a separate subdivision. The language proposed in s. Ins 2.15(3)(b)2.b is necessary to conform with the model regulation and, therefore, division beyond the subdivision level is unavoidable.
 - c. Although the example suggested is incorrect, OCI has complied with the gist of the recommendations.
 - d. OCI has complied with these recommendations.
 - e. OCI has complied with these recommendations.
 - f. OCI has complied with this recommendation.
 - g. OCI has complied with this recommendation by adding a new section that repeals Appendix 1 and renumbering the sections.
 - h. OCI has complied with these recommendations.

(g) The response to the report prepared by the small business regulatory review board:

The small business regulatory review board did not prepare a report.

(h) Final Regulatory Flexibility Analysis

A Final Regulatory Flexibility Analysis is Not Required because the rule will not have a significant economic impact on a substantial number of small businesses.

(i) Fiscal Effect

See fiscal estimate attached to proposed rule.

Attachment: Legislative Council Staff Recommendations dated January 21, 2015.